

DENALI COMMISSION

2003 WORK PLAN

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Denali Commission

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DENALI COMMISSION

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PART ONE: DENALI COMMISSION PURPOSES AND APPROACH

Purposes of Commission:

The Denali Commission Act of 1998, as amended (Division C, Title III, P.L. 105-277), states the purposes of the Denali Commission are as follows:

To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.

To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).

To promote rural development, provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, water and sewer systems and other infrastructure needs.

Challenges to Development and Economic Self-Sufficiency:

Geography – The State of Alaska is twenty percent of the landmass of the United States, encompassing five climatic zones from the Arctic to moderate rain forests in the south.

Isolation – Approximately 220 Alaskan communities are accessible only by air or small boat. Some village communities are separated by hundreds of miles from the nearest regional hub community or urban center.

Unemployment – The economy of rural Alaska is a mix of government or government-funded jobs, natural resource extraction and traditional Native subsistence activities. Many rural Alaskans depend on subsistence hunting, fishing and gathering for a significant proportion of their foods, but also depend on cash income to provide the means to pursue these subsistence activities. Cash-paying employment opportunities in much of rural Alaska are scarce and are highly seasonal in many areas; real unemployment rates exceed 50% in 147 communities.

High Cost and Low Standard of Living – Over 170 communities suffer from inadequate sanitation or a lack of safe drinking water. Residents face high electric costs: 61 cents per kilowatt-hour for electricity in a few communities; average in rural Alaska is approximately 40 cents per kilowatt-hour with State subsidies.

Commission Relationship with Other Organizations:

The Commission acts as a catalyst to encourage local, regional, and statewide comprehensive assessment, planning and ranking of needed infrastructure improvements, economic development opportunities and training needs.

The Commission, working with agencies or other organizations whenever feasible, works to improve coordination, and to streamline and expedite the development of needed infrastructure, economic development and training.

The Commission may build on the work of both Federal and State of Alaska agencies to identify statewide needs, to establish priorities and to develop comprehensive work plans.

The Commission seeks the support and involvement of all affected local communities, governing bodies, businesses and other organizations.

The Commission encourages partnerships between government, non-profit organizations, and businesses to expedite sustainable economic and infrastructure development.

Guiding Principles:

- Projects must be sustainable.
- The Denali Commission will generally not select individual projects for funding nor manage individual projects; but will work through existing state, federal or other appropriate organizations to accomplish its mission.
- Projects in economically distressed communities will have priority for Denali Commission assistance.
- Projects should be compatible with local cultures and values.
- Projects that provide substantial health and safety benefit, and/or enhance traditional community values, will generally receive priority over those that provide more narrow benefits.
- Projects should have broad public involvement and support. Evidence of support might include endorsement by affected local government councils (municipal, Tribal, IRA, etc.), participation by local governments in planning and overseeing work, and local cost sharing on an “ability to pay” basis.
- Priority will generally be given to projects with substantial cost sharing.
- Priority will generally be given to projects with a demonstrated commitment to local hire.
- Denali Commission funds may supplement existing funding, but will not replace existing federal, state, local government, or private funding.
- The Denali Commission will give priority to funding needs that are most clearly a federal responsibility.
- Denali Commission funds will not be used to create unfair competition with private enterprise.

Additional Guiding Principles for Infrastructure Projects:

- A project should be consistent with a comprehensive community or regional plan.
- Any organization seeking funding assistance must have a demonstrated commitment to operation and maintenance of the facility for its design life. This commitment would normally include an institutional structure to levy and collect user fees if necessary, to account for and manage financial resources, and having trained and certified personnel necessary to operate and maintain the facility.

Additional Guiding Principles for Economic Development Projects:

- Priority will be given to projects that enhance employment in high unemployment

areas of the State (economically distressed), with emphasis on sustainable, long-term local jobs or career opportunities.

- Projects should be consistent with statewide or regional plans.
- The Denali Commission may fund demonstration projects that are not a part of a regional or statewide economic development plan if such projects have significant potential to contribute to economic development.

Additional Guiding Principles for Training:

- Training should increase the skills and knowledge of local residents to become employed on jobs created by the Denali Commission's investment in public facilities in a community.
- In order to protect the federal investment, training should increase the local capacity to operate and maintain Denali Commission funded public infrastructure.

Economically Distressed Communities:

The following criteria, to be used in designating economically distressed communities or areas, is included in Section 5.3 of the Denali Commission Code:

1. Per capita market income no greater than 67% of the U.S. average; and
2. Poverty rate at 150% of the U.S. average or greater; and
3. Three-year unemployment rate at 150% of the U.S. average or greater; or
4. Twice U.S. poverty rate and either (1) or (3) above.

As required by the Denali Commission Code, distressed communities and/or areas will be identified annually using data available March 31st of the preceding fiscal year. "Distressed communities," as defined in the Denali Commission Code, are equivalent to "severely distressed communities," the term used in the Statute. Because data is only available by census area, all communities within an area identified as severely distressed will be considered to be severely distressed.

The Denali Commission recognizes that there are communities outside severely distressed census areas that would independently meet the criteria for being severely distressed if data were available to make that demonstration. To respond to this circumstance, the Denali Commission designed surrogates for each of the above criteria that utilize information gathered in Permanent Fund applications, state wage and unemployment records, and commercial fisheries income information. These surrogate measures will supplement the codified criteria in identifying severely distressed communities. Additionally, an appeals process will allow communities to demonstrate that they are distressed using either the codified criteria or the surrogate criteria if they believe they have been unfairly excluded. Since the primary purpose of the Denali Commission is to provide assistance to distressed communities or regions of Alaska, a minimum of 75% of funds available to the Commission in FY03 will be allocated to communities or areas so designated.

PART TWO: FISCAL YEAR 2003 WORK PLAN

The Commission determined that the scope and scale of infrastructure issues facing rural Alaska are staggering. Assessment of needs and refinement of estimates will be an ongoing process. The total of *known* infrastructure needs is estimated to be over \$12 billion. Training and economic development needs have not been quantified, but the unmet needs in these areas are equally extensive. The following table summarizes identified needs for infrastructure categories.

PRELIMINARY NEEDS ASSESSMENT

Funding Category	Category Class	\$	\$
Infrastructure	Housing Construction/Development	1,800,000,000	
	School Construction and Major Maintenance	530,000,000	
	Power Utilities	168,000,000	
	Fuel Storage	450,000,000	
	Drinking Water and Waste Water Facilities	850,000,000	
	Solid Waste Management Facilities	Unknown	
	Health Care Facilities	253,000,000	
	Airport Facilities	926,000,000	
	Road Construction	7,500,000,000	
	Port Facilities	214,000,000	
	Telecommunications	Unknown	
	Community Facilities	Unknown	
	Other	Unknown	
	Subtotal		12,691,000,000
Economic Development	Comprehensive Planning	Unknown	
	Other	Unknown	
Job Training, Education, Capacity Building	Comprehensive Planning	Unknown	
	Other	Unknown	
	Total		12,691,000,000

See Appendix A for Background Information on this table.

The Denali Commission will collaborate with other funding agencies and with all impacted and interested parties to address identified needs on a priority basis. Allocation of Denali Commission funds to various funding categories and classes within those categories will be based on a formula agreed to by the Commission at the beginning of each fiscal year. For FY03 the formula allocates 75% of general appropriated funds to infrastructure, 10% to economic development, and 10% to job training and capacity building. The Commission has a statutory limit of 5% for administrative expenses. In addition to appropriated funds, the Commission receives \$7 - \$10 million annually in interest from the Trans Alaska Pipeline Liability (TAPL) fund, which is earmarked for bulk fuel facility upgrade and maintenance. The Commission may receive other special purpose funds as well.

Of necessity, the Commission's work must be phased over a number of years based on the urgency of competing needs and availability of funding. The theme of rural energy, as one important prerequisite to all other utilities and economic development, was selected as the top priority for infrastructure funds. Primary health care facilities were identified as the second infrastructure theme for the Commission beginning in FY00. These two themes will continue to be areas of focus for infrastructure funds through FY03, and the Commission, consistent with Congressional intent, may add one or more additional themes.

For planning purposes, the Commission has allocated \$150,000,000 using the Commission's approved formula for FY03.

FY03 Work Plan Projection	FY03 Projected Funding	TAPL Interest Funds	TAPL & FY03 Combined
Bulk Fuel	\$30,000,000	\$9,500,000	\$39,500,000
Power Generation	\$26,500,000		\$26,500,000
Health Clinics	\$21,500,000		\$21,500,000
*Transportation	\$35,000,000		\$35,000,000
**Community Facilities	\$16,500,000		\$16,500,000
Sub-total	\$129,500,000		\$139,000,000
Economic Development	\$6,500,000		\$6,500,000
Training	\$6,500,000		\$6,500,000
Administration***	\$7,500,000	\$500,000	\$8,000,000
TOTAL	\$150,000,000	\$10,000,000	\$160,000,000
<p>* Transportation includes: Ports & docking Airports Local roads and trails</p> <p>** Community facilities includes: Wastewater treatment and handling Drinking water Solid waste Other priority community facilities</p> <p>*** Administration: figure used reflects 5% ceiling, not actual overhead cost. This includes future salary obligations, directed studies, independent audits, and project support.</p>			

In accordance with the Denali Commission Code, Administrative funds are solely the responsibility of the Federal Co-Chair. Allocation of the balance of funds will be made by the full Denali Commission, utilizing the guiding principles outlined in Part One of this document, and priority systems designed specifically for each budget category.

Project implementation will generally be accomplished through state, local or federal government entities, regulated utilities, or non-profit organizations. It shall be the responsibility of all such implementing organizations to comply with all applicable laws. Any special requirements will be articulated in the funding agreement between the Denali Commission and the funding recipient.

As indicated above, 75% of Denali Commission base funds are designated for priority infrastructure themes and those funds are distributed using priority systems designed for each theme. Concurrently the Commission encourages communities and regional entities to complete comprehensive community and economic development plans. Priority systems for themes selected for funding by the Commission give credit to communities with current comprehensive plans.

Projects resulting from funding of infrastructure themes generally are consistent with high priorities identified in community plans. The existence of community plans greatly facilitates the location, design, and completion of infrastructure projects within a community. The Denali Commission also reserves approximately 10% of its general funding for economic development projects, which commonly are identified in local, or regional economic development plans.

The Commission also participates in the organization and execution of regional “funding summits.” These summits, which are held throughout the State, bring key state and federal agencies together with communities and regional organizations for the purpose of matching needs identified in community and regional comprehensive plans with federal, state and other available funding.

APPENDIX A: NEEDS ASSESSMENT

SUPPORTING INFORMATION

Housing Construction/Development

Need: \$1.8 billion

Annual Funding: \$58-87 million

Source: Housing and Urban Development (HUD) FY 1999 Report.

Background: According to the FY99 report published by HUD, Alaska has a need for 12,519 new units. At an average cost of \$145,000 per unit, the total need for new housing is approximately \$1.8 billion. This estimate does not include repairs and renovation projects. The number of units needed has increased from the 1990 census, which showed over 11,000 units needed.

At the current rate, 400 to 600 units are constructed in Alaska each year.

Projects are prioritized and funded in a variety of ways including grants to local housing authorities, regional housing authorities, low interest loans, and transfers to other agencies.

Entities providing funding for housing include, but may not be limited to, HUD, Alaska Housing Finance Corporation, and the U.S. Department of Agriculture.

School Construction and Major Maintenance

Need: \$530 million

Annual Funding: Annual funding varies from year to year.

Source: Final Agency Decision: 4/5/99, Project Priority List published by the State of Alaska Department of Education and Early Development (DEED).

Background: Based on requests from individual school districts, the State of Alaska DEED has compiled a listing of school construction and major maintenance projects. DEED has reviewed the project requests and distilled the eligible projects to a list that totals \$530,183,470.

The State of Alaska recently passed a bond package for State FY01 that addresses numerous school construction and major maintenance needs from the DEED list. This program is the primary responsibility of the State of Alaska and will remain such. However, there may be opportunities for the Denali Commission to partner with the state in areas that are a federal responsibility or that are related to the efforts of the Denali Commission. Examples of this partnership are the bulk fuel storage needs of a school or the school's role in developing job training in a community.

The Denali Commission will continue to work with DEED to determine if there is an opportunity for the Commission to assist with some federally mandated component of the program.

Power Utilities

Need: \$168 million

Annual Funding: No program of annual funding

Source: Alaska Energy Authority.

Background: According to the Alaska Energy Authority (formerly the State of Alaska Division of Energy), they have needs in the following categories for the following amounts.

\$68,000,000 - Power Plant Construction and Rehabilitation.

\$100,000,000 - Power distribution system construction, expansion and rehabilitation.

The Alaska Energy Authority (AEA) is a state agency commissioned with oversight of energy related infrastructure in rural Alaska. The agency functions predominantly in areas that are typically not covered by a sustainable electric utility. These power plants and distribution systems are typically in areas where the economic base is insufficient to bond or self-fund construction of the power facilities, and other sources of funding are required. At the current time, the AEA is the only source of funding for these projects, and there is no defined funding stream to take care of the above stated needs.

Another interest of the Denali Commission is to work towards conserving energy usage in rural communities. Generator efficiencies, structural insulation, waste heat recovery, transmission efficiencies, and alternative power generation are all possible topics of consideration for the Commission.

Fuel Storage

Need: \$450 million

Annual Funding: \$30 to 40 million (\$20 to 40 million of which is Denali Commission funds)

Source: AEA Assessment, 2000

Background: The AEA initiated an assessment of bulk fuel tank farms in rural Alaska communities in 1996. This assessment was completed in 2000. The project assessed the condition of the tank farms, including the total fuel capacity of each in terms of gallons.

171 communities were surveyed. Total storage capacity of the surveyed communities is:

Tank farms over 420,000 gallons (towns).....	38 million gallons
Tank farms under 420,000 gallons (rural communities).....	<u>37 million gallons</u>
Total assessed capacity	75 million gallons

The Commission gives priority to distressed communities, which are primarily the rural communities. Of the 37 million gallons assessed in the rural communities, 7 million gallons has been upgraded since 1992. The remaining 30 million gallons to be upgraded will likely increase due to growth in population and added infrastructure. Applying a relatively modest growth rate of 3 to 4 percent per year over the next ten years would

result in a total capacity requirement of 40 to 45 million gallons in 2011.

The average cost for upgrading the 7 million gallons of bulk fuel storage capacity completed since 1992 was \$5.80 per gallon. The AEA's projected upgrade costs over the next ten years range up to \$10.00 per gallon, depending on inflationary pressures and the degree of difficulty encountered in construction.

Water and Wastewater

Need: Current need: \$850 million
(Funded fiscal years 1960 - 2001: \$1,140,800,000 billion)

Annual Funding: There are six existing primary funding sources for developing and improving water and wastewater facilities in rural Alaska. Those sources and the amounts contributed in fiscal year 2001 are shown below.

U.S. Public Health Service - Indian Health Service	\$17,000,000
U.S. Environmental Protection Agency Drinking Water Tribal Set-Aside	\$4,098,800
U.S. Environmental Protection Agency Clean Water Tribal Set-Aside	\$2,295,000
U.S. Environmental Protection Agency Infrastructure Grant	\$26,649,450
U.S. Department of Agriculture-Rural Development	\$19,464,400
State of Alaska, Village Safe Water	\$15,371,250
TOTAL	\$84,878,900

While these amounts vary from year to year, the annual average for fiscal years 1997 through 2001 is \$78 million. The trend has been towards increased funding levels. Secondary funding sources include federal transportation funds and housing funds that contribute in a less direct way to water and sewer system improvements.

Background: Assistance in developing water and wastewater facilities in rural Alaska is provided to communities through two programs. The Alaska Native Tribal Health Consortium (ANTHC) is the organization responsible for administering Indian Health Service, and EPA Indian Set-Aside sanitation construction funds in Alaska. The Alaska Department of Environmental Conservation's Village Safe Water (VSW) program is the organization responsible for administering sanitation construction funds provided by the State, EPA (non-Tribal Set-Aside), and the USDA-Rural Development.

Both ANTHC and VSW work with rural communities to plan design and construct sanitation systems. ANTHC and VSW have developed a close working relationship despite the relative recent transfer of the sanitation program from IHS to ANTHC in October 1998. The priority funding lists of both organizations are coordinated and generally compliment each other. ANTHC predominately works in Alaska communities

with Native-owned homes, whereas VSW works in all rural communities (Native and non-Native). A lead agency is designated for each community receiving assistance. Lead agencies typically have responsibility for administering all state and federal funding in the community.

Existing funding streams and programs are making progress towards satisfying the overall need for sanitation facilities in rural Alaska. An estimated remaining need of \$850 million and a current funding level of \$85 million combine to suggest a 10-year timeframe for meeting the need. The Governor's Council on Rural Sanitation set a target funding level of \$110 million per year. Increased federal funding is being sought through existing funding streams to reach that target.

The Denali Commission has not targeted water and wastewater improvements for infrastructure funding due to sufficient funding and effort already underway in this sector of critical infrastructure. However, the Commission is involved in improving planning and interagency coordination.

Primary Health Care Facilities

Need: \$253 million

Annual Funding: \$20 million – Denali Commission

Source: Alaska Rural Primary Care Facility Needs Assessment – Final Report dated October 2000.

Background: The Denali Commission in partnership with the Alaska Native Tribal Health Consortium, the Indian Health Service, and the Alaska Department of Health and Social Services embarked on a survey in FY00 to quantify the cost of rural primary care facility improvements. It is the intent of all parties to build on this initial survey and to identify additional health related infrastructure needs in rural Alaska (beyond primary care) including mental health, dental care, itinerant health service providers' quarters, etc.

Airport Facilities

Need: \$926 million

Annual Funding: \$58-120 million

Source: 1999 Transportation Needs and Priorities in Alaska; Published by the State of Alaska Department of Transportation and Public Facilities, and the current FAA Aviation Improvement Program (AIP).

Background: The Federal Aviation Administration currently provides most of the funding for airport projects throughout the state. The state or local sponsor will contribute roughly 10% in the form of match. There are 1,112 designated airports, seaplane bases, and aircraft landing areas in the state of Alaska. The Alaska Department of Transportation & Public Facilities (ADOT&PF) owns and operates 261 public airports, the majority of Alaska's public airports. Additionally, 23 public airports are owned and operated by local governments.

Backlog of airport projects in the state amounts to approximately \$1 billion.

Historically, funding that the state receives for airports from the FAA - AIP has ranged from \$58 million in 1990, to \$81 million in 1998. As a result of the recent passage of AIR-21 legislation, a funding increase is expected and scheduled for beginning October 2000 up to a potential amount of \$120 million for Alaska.

Road Construction and Major Maintenance

Need: \$7.5 billion

Annual Funding: \$350 million

Source: Transportation Needs and Priorities in Alaska published by the State of Alaska Department of Transportation and Public Facilities.

Background: The State of Alaska administers most of the Federal Highway Administration (FHWA) funding allocated to Alaska with the exception of money specifically designated for the Bureau of Indian Affairs (BIA), which currently amounts to approximately \$14 million per year. Although overall funding levels are up for roads, the BIA share has recently slipped from \$16 million annually under ISTEA (1991 – 1997). The BIA funding does not go far considering it must provide for approximately 200 Tribes within Alaska. BIA officials have recently announced that any given village can expect one project every 20 years, on average.

Of note, the BIA is currently conducting a rule-making process to revamp the national formula that distributes BIA funding among the states. The legislative language directing this new formula is more Alaska-friendly, but the past distribution formulas have not been favorable to Alaska and it remains to be seen if the new formula will redress this situation.

One important distinction between FHWA and BIA funding for roads is the long-term maintenance obligation. Under FHWA, the recipient is responsible for maintenance in perpetuity, with no federal support for this activity. Under the BIA funding system, such roads are then added to the IRR (or Indian Reservation Road system) and are eligible for a share of a national pot of money allocated to maintenance of IRR roads.

Overall needs for highway and road projects were estimated at \$6 billion in 1999. In the current TEA-21 era, average funding levels are estimated at approximately \$350 million not including possible discretionary grants the state may receive. While this is up substantially from approximately \$220 million under ISTEA, the list of unmet needs has been growing even faster as villages and all communities become more aware of this potential funding source.

Most FHWA funding received by the state stays in larger auto-dependent communities, with some funding going to rural communities largely for sanitation roads and trail markings. Funding for projects off the road system goes primarily to larger hub communities.

Improved surface transportation can have many positive effects including lowering costs for goods and services, improving village to village interaction, and allowing for state and federal investments in schools, clinics, airports, harbors, and tank farms to serve more communities per project.

Port Facilities

Need: \$214 million approximately

Annual Funding: Varies year by year, typically between \$0-5 million

Source: Transportation Needs and Priorities in Alaska published by the State of Alaska Department of Transportation and Public Facilities.

Background: Port and harbor facilities are necessary investments to support maritime commerce, commercial fishing, subsistence, water recreation and general economic development. Wholesale, retail, transportation, and services industries supporting marine activities create jobs and other opportunities. Coastal and riverside communities with good facilities will have safer access, greater mobility, more opportunity and a better quality of life than those without. Port and harbor facilities must offer access to waterways, protection from waves, and water deep enough for navigation. Few communities have perfect harbor conditions naturally. Many communities have spurred economic growth and given vitality to their communities through making improvements by dredging channels and basins, and constructing breakwaters and docking facilities. These improvements open the transportation corridor for maritime commerce.

Port and harbor development in the State has been a close partnership between local government, the state, and the federal government. The federal government has always limited investment and interest to those navigation improvements that satisfy national economic development criteria. State assistance has ranged from complete financial support to little or no financial support. While State assistance expanded and expectations grew during the lucrative days of high oil production, the State has retreated to the basic premise that port and harbor projects require a substantial local funding commitment to be eligible for State assistance. Though not a dedicated funding source, the Marine Users Fuel Tax is the traditional foundation of small boat harbor improvements in the State. General obligation bonds have been the foundation of State assisted port development.

The threshold for federal involvement, an assessment of national benefits and costs, is very high. For most of Western Alaska, the geography, climate and low population density weigh heavy against projects as they meet this test. The federal navigation improvement program is helpful in making an existing improvement more productive but it is not useful in creating an opportunity for improvement that does not already exist.

Port and harbor projects can reduce the delivery cost of goods and services, increase the frequency of delivery, reduce damage loss during transport, reduce environmental risk, improve the value of regionally exported resources and products, and improve the productivity, safety

and quality of life for people in a region. There may be opportunities for port and harbor development that are consistent with the goals and objectives of the Denali Commission.

Telecommunications

Need: Unknown

Annual Funding: Unknown

Background: Telecommunications and Internet technologies, which are revolutionizing daily life in the United States, are not reaching most Alaskan communities. The positive impact Internet connections will have on education, training, healthcare and economic development in rural communities cannot be overemphasized. The negative impact of leaving rural communities behind in technological advances will only further compound the challenges of self-sustainability for rural Alaska.

The remoteness and sparse populations that so uniquely identify rural Alaska are also the primary reason private telecommunications find it difficult to justify connections in most rural communities.

Typically, small communities have access only through the local public school or library. Tribes may have access through a program being implemented by the Department of Interior. However, private users are prohibited from accessing these federally subsidized services. Thus, an individual who wishes to access vital information, obtain distance education or training, open a web-site for e-commerce, or have an e-mail account from home, must use expensive long distance dial-up service. The cost of such service in rural Alaska is between \$200-\$400 per month for basic e-mail and minimal web browsing due to long distance telephone charges.

In January 2001, the Denali Commission, in partnership with the State of Alaska, completed an inventory of available telecommunication services in rural Alaska. Among other things, the inventory found that 61% of all Alaskan communities do not have access to local dial-up service.

Community Facilities

Need: Unknown

Annual Funding: Unknown

Background: Communities have a need for community assembly facilities for various purposes, including planning, meetings, traditional functions, and recreation for youth. These facilities, when available, are heavily used in rural communities. No assessment mechanism is in place for determining statewide needs for community facilities.

APPENDIX B: PROGRAM PRINCIPLES

SUPPORTING INFORMATION

Infrastructure

In the evolution of the Denali Commission and its approach to infrastructure development some principles have been established. These include the following:

- **Selection of infrastructure themes for allocating funds.** In FY99 rural energy was selected as the primary infrastructure theme. That priority was continued in FY00, and is expected to continue in FY01 and beyond. In FY00 rural health care facilities were selected as the second infrastructure theme. Other themes may be selected in future years.
- **Selection of program/project partners to carry out infrastructure development.** The Alaska Energy Authority (AEA) was selected as the Denali Commission's first partner for rural energy projects. AEA was selected because of its demonstrated capability to prioritize and implement rural energy projects. The Alaska Village Electric Cooperative was selected as the second energy partner and Alaska Native Tribal Health Consortium was selected as the Commission's primary partner for clinic design and construction. The overriding point in selection of a program/project partner is that the Commission wishes to utilize existing capabilities provided by state or federal agencies or other organizations. More than one partner may be identified to participate in carrying out Commission sponsored programs/projects for a particular theme.
- **Project selection by the Commission and/or the program/project partner must be defensible and credible.** In the case of AEA, two separate comprehensive statewide project priority lists had been developed--one for bulk fuel storage facilities, and a second for power generation/distribution projects. As in the case of AEA the Commission will utilize existing credible priority systems. Where a credible statewide priority methodology for a selected theme does not exist, the Commission in cooperation with appropriate organizations will foster the development of a system. This is illustrated by the Commission's efforts in partnership with the Alaska Department of Health and Social Services, the Indian Health Service, and the Alaska Native Tribal Health Consortium to develop a prioritization methodology for primary health care facilities.
- **Theme selection is a methodical process.** The Commission has stressed the importance of comprehensive investigation and exploration of infrastructure themes so that Commission resources are strategically funneled to "gaps" in state and federal funding streams. Carrying out needs assessments on various infrastructure themes is central to the development of a theme. Energy, telecommunications, and rural primary health care facilities are examples of

assessments that were initiated in conjunction with interested state and federal agencies in the Commission's first year.

- **Commission partners are responsible for compliance with procedural and substantive legal requirements.** It is the expectation of the Denali Commission that partners will comply with all applicable local, state and federal laws in carrying out Commission funded programs/projects. For example, the partner must address NEPA and OSHA regulations, federal auditing requirements, competitive procurement issues and so forth. As a result, the Commission will look to partners who have demonstrated both administrative and program/project management success.
- **Adherence to the successful project management elements of time, budget and quality.** Each of these factors is central to Denali Commission agreements with partners. The Commission wants to put our partners in a position of success in meeting the triple constraint of project management: deliver the project on time, on budget and completion of the full project scope. The challenge to the Commission is to allow sufficient flexibility for each partner to carry out the programs/projects within their own established methods while assuring confident project completion and meeting all requirements of applicable laws and regulations. For example, the AEA employs a project methodology that relies heavily on force account construction (locally sponsored government crews). AEA also uses construction contracting to a lesser degree. In light of the Commission's mandate to address economic development in rural Alaska, force account construction is a good fit. However, for other partners, undertaking other infrastructure themes, construction contracting may be more appropriate. In short, each agreement with a partner organization must be tailored to fit their approach to program/project management.

Rural Energy

AEA has employed a two-step approach to bulk fuel project funding that is strongly supported by the Commission. Starting at the top of the AEA priority list, projects are provided 35% design funds one or more years before being eligible for capital funding. This allows for more accurate project cost estimates, resolution of easement and land issues, development of agreements between various local parties in site selection and tank farm ownership/maintenance. This step also serves to filter projects that are not ready for construction, for one reason or another, from advancing to the second step of project funding. This two-step approach ensures that funding does not sit unused by projects that are not ready for construction. Once a project has resolved any obstacles at the 35% design stage, then they are eligible for capital funding.

AEA will reevaluate its priority list from time to time in order to factor in new information, particularly information from the statewide energy strategy. This reevaluation may result in some modification of the list. Funding priorities will also be

subject to “readiness to proceed” considerations as described in part above.

Rural Primary Care Facilities

In the past, communities constructed clinics based upon available grant funds (typically community development block grants of \$200,000 to \$500,000). Consequently clinic square footage was based upon available funding and not necessarily upon health care delivery service appropriate for the population and demographics of the community. Many clinics are therefore undersized. In FY99 the Commission allocated \$300,000 to undertake a needs assessment for rural primary care facilities. The needs assessment was completed in October 2000 and included a database of primary health care facility needs statewide as well as a project prioritization methodology.

Denali Commission’s Training Strategy

Background

The Commission realizes that proper and prudent investment in public infrastructure must include a component for training local residents to maintain and operate publicly funded infrastructure. The Commission further realizes that through its investment in public infrastructure, such as bulk fuel storage facilities, it is creating numerous jobs related to the construction of these facilities and must develop a strategy to ensure local residents are properly trained to receive these jobs.

Therefore, the Denali Commission created a training subcommittee to develop a strategy that would address the job training needs of Alaskan communities. The initial training subcommittee was comprised of Commissioner Mano Frey, Commissioner Mark Hamilton, and the Alaska Human Resource Investment Council Executive Director Mike Andrews. The subcommittee worked with industry, state, non-profit, and federal organizations and developed the Denali Commission’s Training Strategy.

The Denali Commission’s Training Strategy creates a statewide system to increase the local employment rates in Alaskan communities through the development of skills necessary to construct, maintain, and operate public infrastructure; while also leveraging the ongoing efforts of the State of Alaska in job training for rural Alaskans.

Subsequently, the Commission approved 10% of the FY00 budget for implementation of the developed Training Strategy. Through this funding the Commission ensures local residents are employed on public facility construction projects in their communities, while also protecting the Denali Commission’s investment in infrastructure by ensuring local residents are properly trained in the operations and maintenance of completed facilities.

The Denali Commission’s Training Strategy involves several components that create a statewide system for job training outreach, coordination and delivery in rural Alaska.

The Commission has partnered with several statewide organizations that will perform the necessary functions that make up the Denali Commission's Training Strategy. These organizations and their respective roles are as follows:

Partners

Organization: Alaska Works Partnership

Alaska Works Partnership represents a statewide coalition of Alaska's 20 jointly administered building and construction trades apprenticeship programs.

Role: Apprenticeship Outreach Initiative

A program that provides outreach to rural residents to present the opportunity to participate in the numerous Bureau of Apprenticeship and Training's approved construction apprenticeship programs.

Organization: Alaska Native Coalition on Employment and Training (ANCET)

ANCET is a statewide organization comprised of 13 Alaska native regional non-profits to act from a statewide perspective on education, employment, training, and economic development issues and concerns specific to Native people.

Role: Regional Coordination Initiative

A program that is responsible for developing a system capable of coordinating the employment and training needs of the villages and regional ANCET offices with the workforce demands of Denali Commission projects, and other state and federal public infrastructure projects.

Organization: Alaska Vocational Technical Center (AVTEC)

AVTEC provides accessible technical and related training to a statewide multi-cultural population for employment in the dynamic Alaskan community.

Role: Building Maintenance and Repairer Apprenticeship Delivery Program

A program that provides technical assistance to housing authorities and other community employers to enhance the availability of the Building Maintenance Repairer Apprenticeships (BMR) in rural Alaska. This program will provide and adapt the BMR curriculum to the needs of rural Alaskans.

Organization: Associated General Contractors (AGC) of Alaska

The AGC of Alaska is a non-profit construction trade association consisting of general contractors, subcontractors and industry professionals dedicated to improving the professional standards of the construction industry.

Role: Construction Career Pathways Initiative

A program that will help increase the involvement of industry and local employers in schools, provide more school-to-work experience for students, develop direct connection with apprenticeship and post-secondary training programs and ultimately prepare a new workforce.

Organization: State of Alaska Department of Labor and Workforce Development

The Department of Labor and Workforce Development fosters and promotes the welfare

of the wage earners of the state, improves their working conditions and advances their opportunities for profitable employment.

Role: Denali Training Fund

The Denali Training Fund Program provides financial assistance for specific training needed by local residents to become employed on Denali Commission projects and other state and federally funded infrastructure projects. The Denali Training Fund also provides financial assistance for training needed by local residents to properly operate and maintain completed Denali infrastructure and other state and federally funded infrastructure. The Department of Labor and Workforce Development administers the Denali Training Fund by receiving applications for job training needs in rural communities and leverages these funds with other state funded programs.

Summary

The Training Strategy provides the Denali Commission the flexibility for future investment in job training needs statewide. Currently the Commission's partners and the Denali Training Fund are focusing on jobs created by the construction of energy related projects, such as bulk fuel storage tanks and rural power system upgrades. In the future, the Training Strategy will focus its efforts on other areas where the Commission is investing, such as the job training needs related to the construction and operations of health clinics.

With this strategy in place, the Denali Commission is confident it will provide the necessary component of job training that is imperative to the success of infrastructure construction in Alaska.

Economic Development

In an effort to promote economic development in rural and distressed communities, a number of actions have been initiated.

The Denali Commission believes that a primary key to successful economic development in small communities is adequate public infrastructure. The larger a venture, the more basic infrastructure is necessary. Ultimately it is expected that industry will begin paying for infrastructure improvements that benefit their business. State and federal governments can contribute to development of local economies by assisting in funding local infrastructure projects.

Mini-Grant Support

This program provides grants not to exceed \$30,000 for communities to use on projects such as:

- Comprehensive Community Strategy development;
- Project specific feasibility study, business plan, or engineering study;
- A project that supports economic or community development; or
- A capital project.

Communities apply directly to their regional Alaska Regional Development Organization (ARDOR). If an ARDOR does not exist in a region, applications will be submitted directly to the Department of Community and Economic Development (DCED). Projects will be funded throughout the state using a combination of Denali Commission, USDA-Forest Service, and other available funding.

The goal of this initiative is to encourage communities to develop and utilize locally based planning strategies to foster community and economic development opportunities.

Entrepreneurship Initiative

For projects that may have merit, but are private sector economic development initiatives, the Denali Commission encourages entrepreneurs to utilize the following assistance strategy.

- Prepare Business Plan and loan request.
- Submit to Alaska Regional Development Organization (ARDOR) or Economic Development Council (EDC) for your area for technical assistance.
- Projects will be reviewed with consideration of the Denali Commission published guiding principles.
- Projects that meet Denali Commission principles will be forwarded from the regional support organizations to the State of Alaska Funding Forum for review.
- Projects determined to be economically viable may be forwarded to the Denali Commission for assistance in developing a funding plan.

Development Strategy

The Denali Commission encourages communities/tribes to build a local comprehensive plan and strategy, a component of which will be economic development. A comprehensive plan may also be referred to as a Development Strategy.

Communities are encouraged to work with regional organizations such as ARDOR's, Regional Non-Profit Corporations, Borough Governments and Regional for-profit organizations to develop comprehensive strategies of which economic development will be a component. Regional strategies should take into consideration existing regional planning and strategy efforts including, but not limited to, the efforts of the FAA, HUD, Alaska DOT, ANTHC, Alaska VSW, State Division of Public Health, Alaska Department of Public Safety, regional non-profits and others.

The Denali Commission encourages the state to assist with technical support and funding at the local and regional level to build local and regional development strategies. The Denali Commission also encourages state and federal governments to utilize the local and regional development strategies when prioritizing projects in the state or in a region.